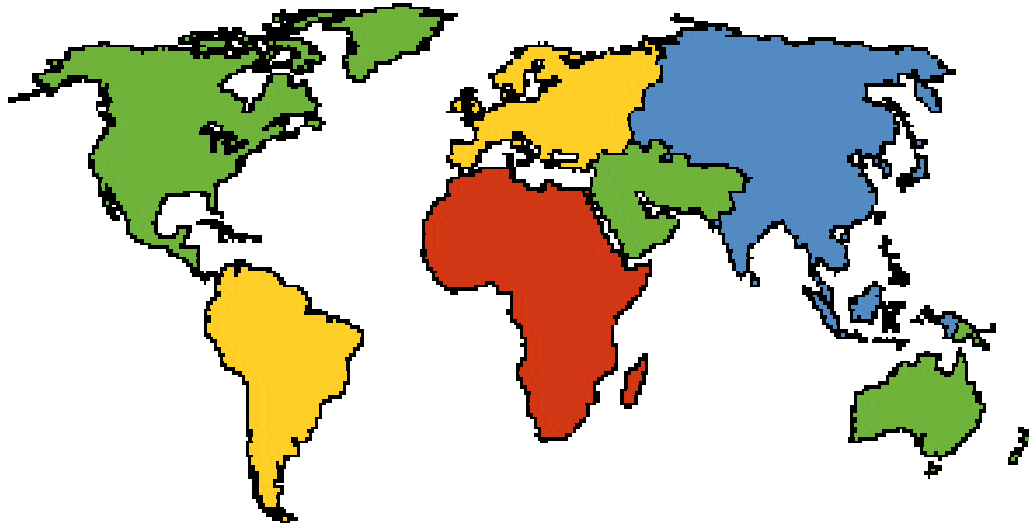


WELCOME THE WORLD



Utah!

An Evaluation of International Tourism Markets

Utah Division of Travel Development
Department of Community and Economic Development
July 2002

INTRODUCTION

Increasing globalization, improving economies and more accessible information has mobilized travelers around the globe to seek new and unique experiences. Both familiar and exotic destinations seem closer to home. Improved technology and additional flights have opened up new markets and allowed travelers to choose from an ever-growing list of destinations.

Economic weakness in Europe and Japan dampened demand for U.S. vacations during much of 2001. International travel to the United States declined even more dramatically after the September terrorist attacks. Despite the obstacles encountered in 2001, the outlook for international travel remains positive. In the wake of security and economic concerns, international travel declined worldwide in 2001. However, the World Tourism Organization expects demand to rebound moderately in 2002 as improving economies and reassuring progress on security restore confidence in international travel.

Coverage of the 2002 Olympic Winter Games put Salt Lake City, Utah on the *global map*. The International Olympic Committee reports that the Salt Lake 2002 broadcast was the most successful in Olympic Winter Games history – 2.1 billion viewers in 160 countries watched the Winter Olympics. Extended news and feature coverage related to the Games meant a total of nearly 3 billion people around the world were exposed to media coverage of the 2002 Olympic Winter Games.

Visit any of Utah's most popular attractions and you will encounter a wide variety of people and cultures. Listen closely and you will likely hear a mixture of German, French, Japanese, Italian, Spanish, Dutch, or any number of other different languages. Fulfillment requests for the Utah travel guide in 2001 recorded inquiries from 97 countries worldwide. A visit to the Utah.com website provides Utah travel information in six languages, catering to potential visitors from around the world.

The international visitor currently represents a small but important travel segment in Utah's tourism economy, comprising nearly 5% of total Utah visitors. To maximize the growth potential of the international visitor travel segment, it is important to understand the current dynamics of the international traveler to Utah, including Utah's positioning as an international destination, international visitor characteristics and travel patterns and individual market strengths and weaknesses.

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RESEARCH SERIES

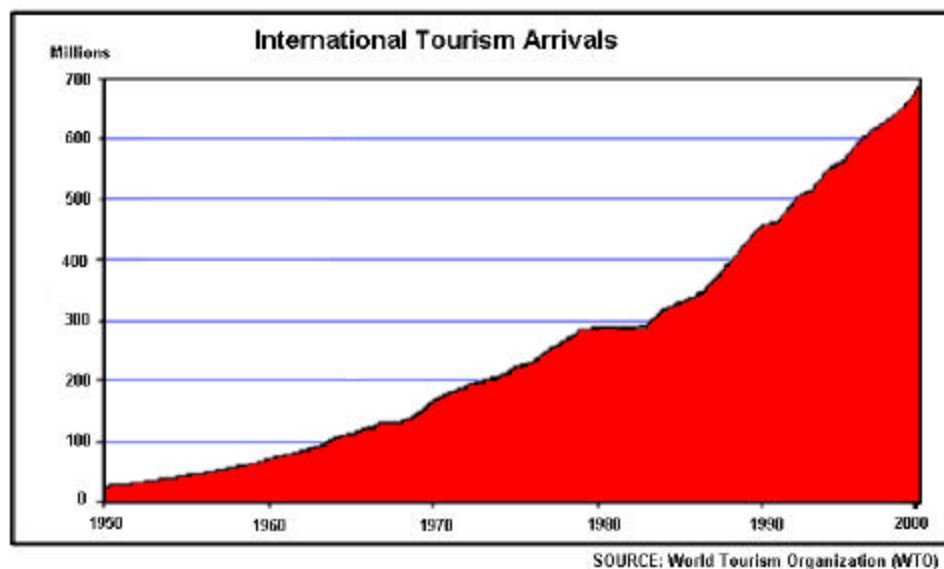
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INTERNATIONAL TRAVEL OVERVIEW

TRENDS IN GLOBAL TRAVEL & TOURISM

The global travel and tourism industry has grown at a remarkable pace throughout the last half of the twentieth century, from a mere 25 million international arrivals worldwide in 1950 to a record 698 million in 2000. Thanks to a strong world economy and many special events held to celebrate the new millennium, world tourism grew by an estimated 7 percent in 2000. However, the strength of the industry in 2000 contrasts sharply with the weakness of 2001. The WTO estimates the number of global international tourism arrivals in 2001 decreased by 1.3% to 689 million. Although the September 11th terrorist attacks on the United States contributed to this decline (global international arrivals were down 11% in the last 4 months of 2001, compared to a 3% increase during the first 8 months of the year) outbound travel was already slowing in the first several months of the year, a result of weakening economies in most of the major tourism generating countries. In addition, demand may have decreased during the year as a result of many travelers advancing travel plans to celebrate millennium events in 2000.



The WTO estimates that tourism ranks among the top five export categories for 83% of all countries. A report released by WEFA economic consultants and the World Travel and Tourism Council summarized the economic impact of the global travel and tourism industry for 1999:

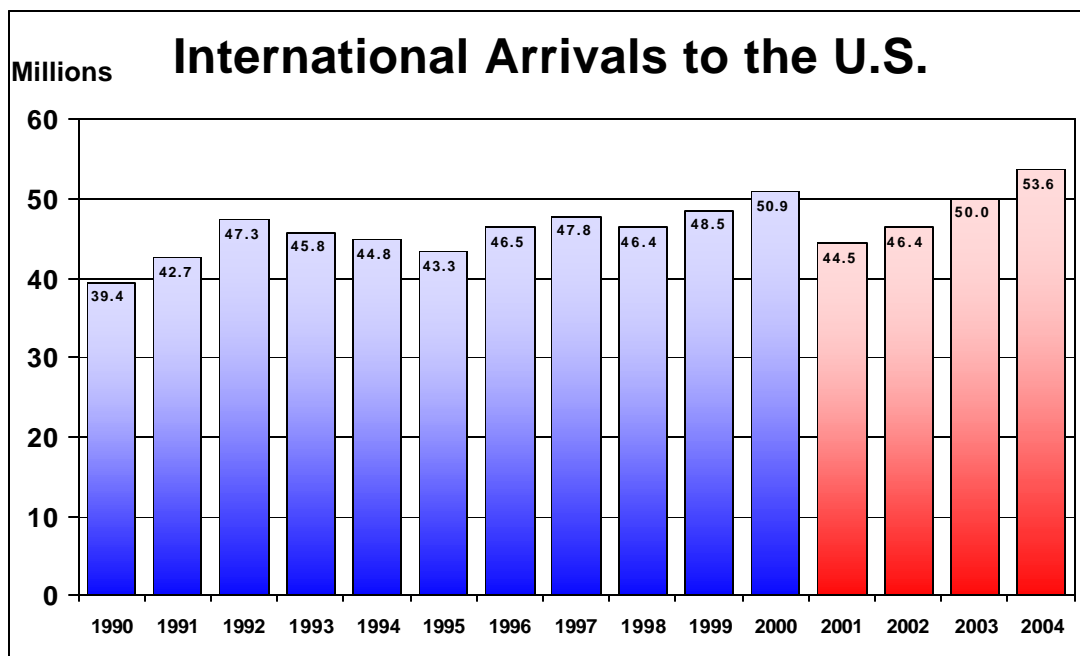
- Spending by international visitors generated \$3.5 trillion and accounted for 11.7% of the world's GDP. Almost 200 million jobs (8% of all jobs worldwide) were supported by the travel and tourism industry.
- Spending by international travelers accounted for 8% of world exports with additional impacts due to exports of travel and tourism's indirect and induced goods and services.
- Travel and tourism related GDP is forecast to increase by 3.0% per year in real terms and will support the creation of over 5.5 million jobs per year over the next decade.

Underscoring the overall expansion of the industry is its recent diversification. Trips are increasingly spread throughout the year to a myriad of destinations and are customized according to individual tastes and preferences. Trends indicate growing interest in many leisure segments, including cultural travel, sports and adventure tourism, rural tourism, nature-based travel, and cruises.

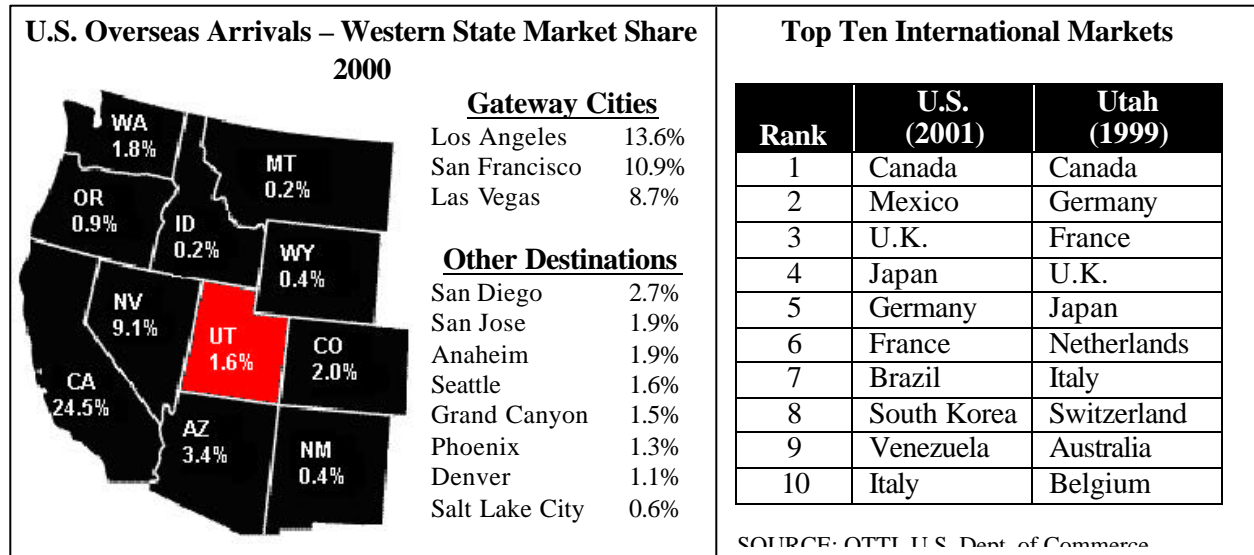
INTERNATIONAL TRAVEL TO THE U.S.

According to the U.S Department of Commerce, international travel in the U.S. represented over 50 million arrivals in 2000 and generated \$103 billion in traveler spending. Arrivals to the United States grew a stronger than expected 5% in 2000. Despite the impressive performance of 2000, conditions rapidly deteriorated in 2001 and preliminary estimates for the year indicate total arrivals to the U.S. likely decreased 12.6% to 44.5 million. Economic weakness in many of the top markets caused a 5% decline in arrivals through the first eight months of the year. Following September 11th, demand plummeted and arrivals were off by nearly 30% in the last four months of the year.

The effects of the terrorist attacks on travel demand were most acute in the Asian markets, where demand plummeted more than 50% during the last 4 months of the year. Recent data suggest that the worst may be over and that a modest recovery can be expected for 2002. Forecasters anticipate slow growth through 2002 and 2003, with arrivals reaching their 2000 levels in 2004. Canada, Mexico, the United Kingdom, Japan and Germany were the top U.S. markets in 2001, each recording more than one million visitors to the U.S. Predictably, most international visitation occurred at major urban centers or “gateways” within the U.S., notably, New York, Los Angeles, Miami, Orlando, San Francisco, Las Vegas, Washington D.C., Chicago and Boston. However, once international visitors arrive at the gateway city, many travel to other destinations. Thus many non-gateway destinations still attract a significant number of international visitors. One of the changes in travel behavior as a result of September 11th has been a shift towards “undiscovered” destinations within the U.S., which are seen as attractive alternatives to traditional urban centers because they are perceived as safer destinations.

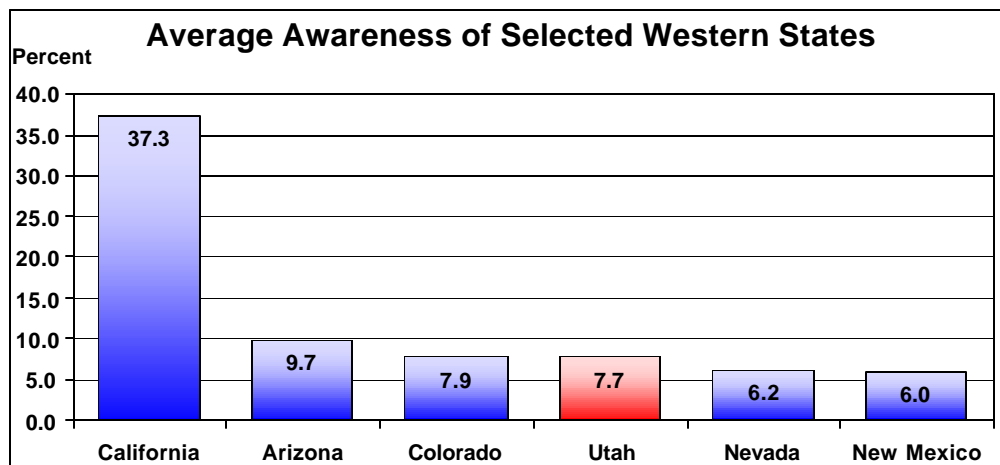


SOURCE: OTTI, U.S. Department of Commerce



In 2000, the average international visitor to the United States stayed 15.6 nights within the country and visited 1.6 states or 2.1 specific destinations. Within the western U.S., Los Angeles, San Francisco and Las Vegas are the major gateway cities. Other major western cities such as San Diego, San Jose, Seattle, Phoenix, Denver, and Salt Lake City attract smaller numbers of travelers. Well-known national parks such as Grand Canyon and Yosemite as well as other parks such as Yellowstone, Bryce Canyon and Zion are popular attractions for international visitors.

Visitation to a destination is usually positively correlated to awareness. A destination with a strong identity and a well-known image is more likely to receive attention from international travelers. Within the U.S., awareness varies greatly. Some states such as California have a high level of awareness both for the state and in-state destinations. Other states such as Nevada are better known for a destination (Las Vegas) as opposed to the state as a whole. The challenge to Utah and other lesser-known destinations is to overcome barriers of awareness. Research is currently underway to document both Utah's existing level of awareness in key international markets (prior to the Olympics) as well as the post-Olympic level of awareness. In addition, further research suggests several strategies to overcome awareness barriers such as referencing the nearest well-known gateway city in advertising and promotion or providing a user-friendly choice of itineraries and/or packages via the Internet or other collateral materials.

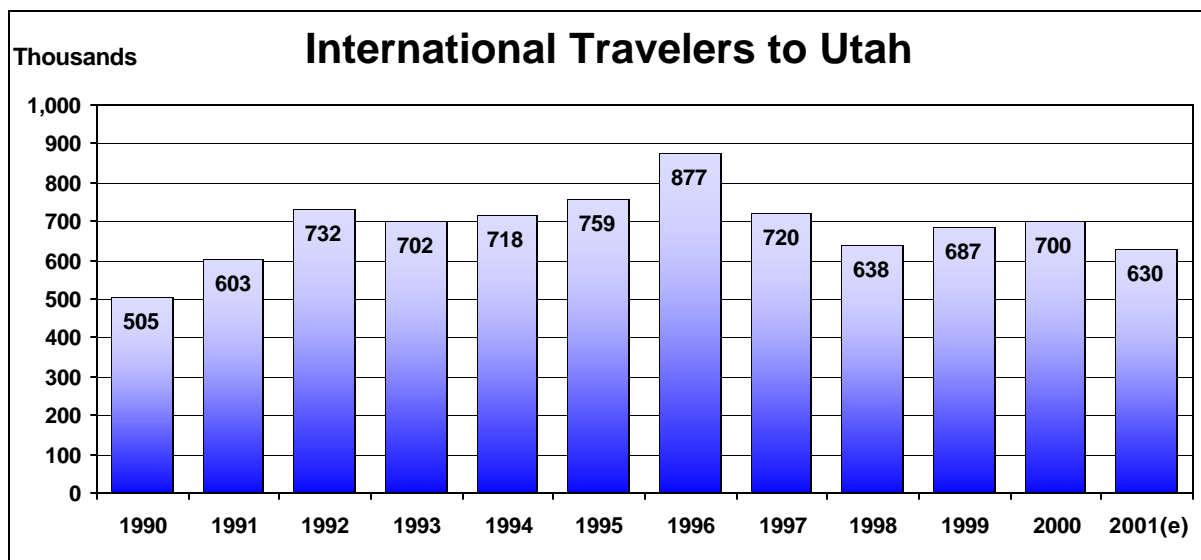


SOURCE: International Awareness & Image Surveys, Utah Travel Council, 1999-2000

INTERNATIONAL TRAVEL TO UTAH

International travel to Utah represents an important traveler segment for the state. The international travel segment exhibits tremendous growth potential for higher value visitors to the state. International travelers are typically more affluent, stay longer, and are more likely to participate in spending activities than their U.S. counterparts.

In general, international travelers are sensitive to the economic conditions in their home country as well as external shocks that effect travel demand. For example, the Gulf War, the Asian financial crisis, and most recently the effects of September 11th and a global economic recession significantly impacted international travel to Utah. Indeed, after two consecutive years of growth following the Asian financial crisis, early figures indicate that international visitor arrivals to Utah in 2001 fell to an estimated 630,000, their lowest level in a decade. A significant decrease in Canadian, German, and Japanese travel to the U.S. is largely responsible for the decline, although arrivals declined from nearly every major market. Despite the poor performance of the sector in 2001, improving economic circumstances, restored confidence in air travel and destination safety, and the increased awareness and attention directed towards the state's many attractions during the 2002 Winter Olympic Games should stimulate short term growth. ***However, any further shocks to traveler confidence due to unstable economic conditions, escalating terrorist threats or actual events could significantly erode demand recovery.***



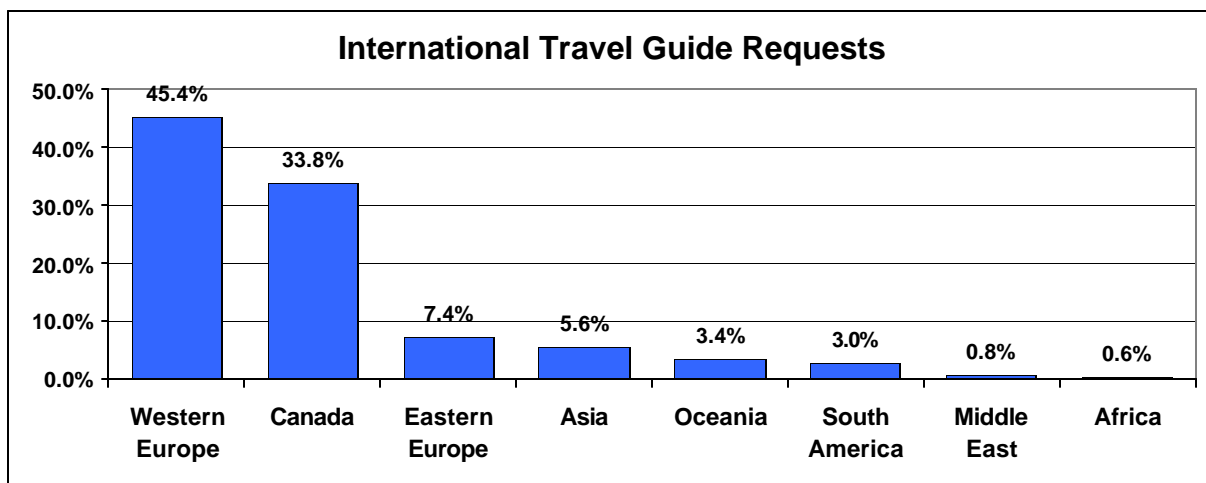
SOURCE: OTTI, U.S. Department of Commerce

A 1999 profile of overseas visitors (excluding Canada and Mexico) to Utah revealed the following information about international travelers to Utah:

- Nearly 70% are repeat visitors to the U.S.
- Over a fifth have household incomes above \$100,000; average household income is \$72,800
- 65% reported using a travel agency to gather information; 30% reported buying a package
- Over 80% are leisure travelers

- Average per-trip spending is \$460, nearly 50% higher than domestic travelers
- Other frequent destinations visited by Utah visitors included California (70%), Nevada (58%) and Arizona (55%)
- Specific destinations visited by Utah visitors included Las Vegas (53%), San Francisco (42%), Los Angeles (40%) and Grand Canyon (32%)
- Over 75% stay in a hotel or motel (compared to 50% of domestic travelers)
- Shopping, dining, and visiting national parks, cities, historic sites, countryside and small towns are the most popular activities
- Visitors tend to visit either Salt Lake City or Southern Utah's national parks, but not both
- Utah attracts roughly 10% of the overseas visitors that travel to Las Vegas

During 2001, over 5,600 requests for the *Utah! Travel Guide* originated from international inquirers, representing 10% of the total. Requests were received from 97 countries. The majority of requests originated from Western Europe and Canada. Western European countries, led by the United Kingdom, Germany, Netherlands and France, were responsible for 45% of all international inquiries. Canadian requests comprised another 34% of total international inquiries. A growing number of requests were also received from developing countries in Eastern Europe, Asia and South America. For example, India, Czech Republic, Brazil, Russia, Ukraine, and Indonesia all ranked in the top twenty as countries most frequently requesting Utah information during the year.



SOURCE: Utah Travel Council, Jan. 2002

The following pages reflect an evaluation of specific international markets in North America, Europe and Asia based on a wide range of indicators including:

- Economy and Growth Prospects
 - Exchange Rate
 - Language Resources
 - Technology Aptitude
 - Seasonal and Segment Preferences
- Historic U.S. & Utah Travel Patterns
 - Exogenous Social and Political Factors
 - Olympic Interest
 - Distribution Infrastructure